Pay Transparency Study

January 2020

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Content Directory

Methodology

Design

Collect

Analyze

WorldatWork, with underwriting support from Mercer, designed a survey focused on measuring pay transparency-related policies and practices within organizations.

A random sample of WorldatWork members were invited to participate in the survey via email, resulting in a final sample of 478 respondents.

Analysis of the end sample verified that study respondents are a representative mix of the WorldatWork member community.
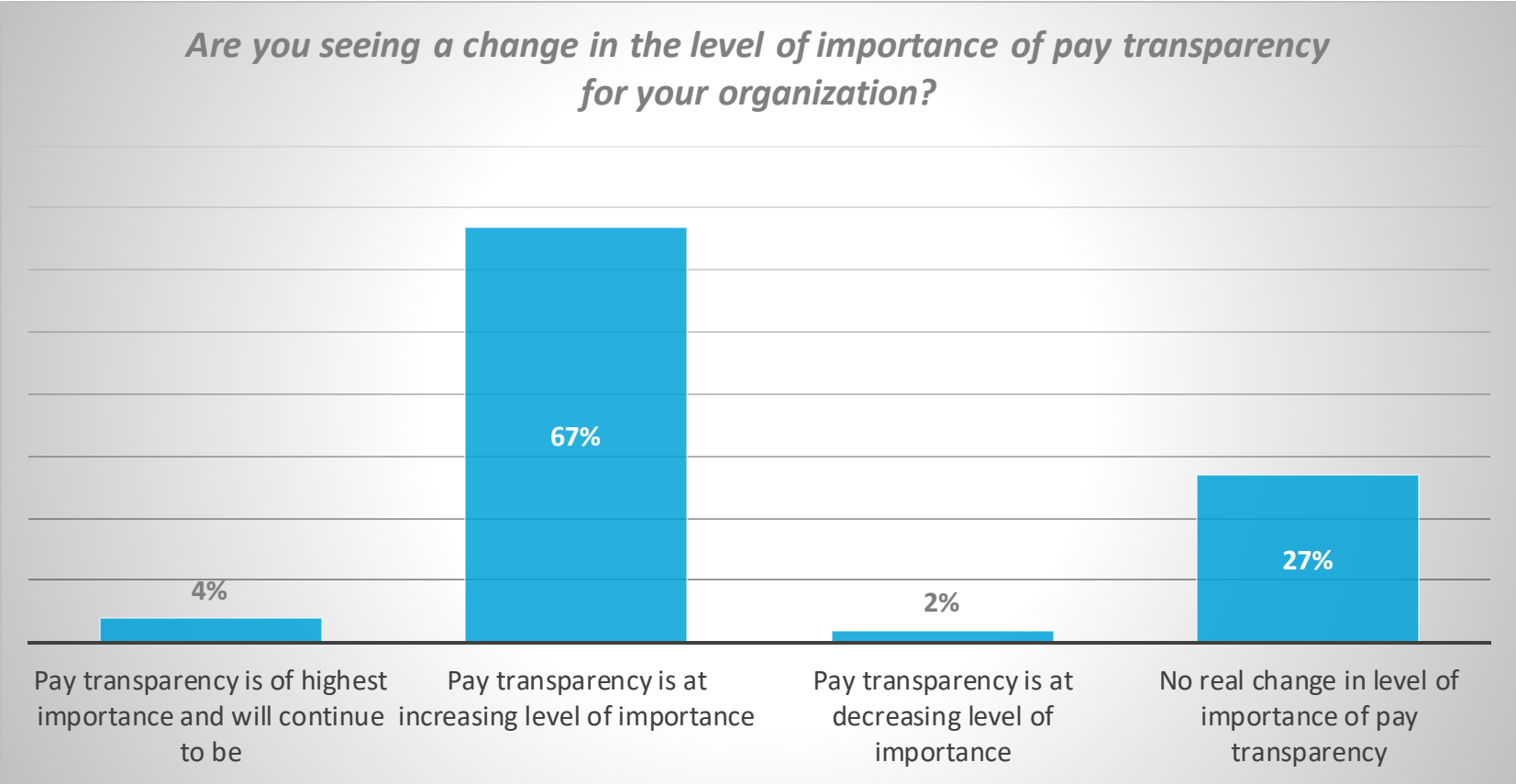
Sample sizes vary by question. Please note that statistical reliability will fluctuate based upon sample sizes. A list of participating organizations can be found here.

Key Findings

- 67% of organizations view pay transparency at an increasing level of importance, while only 14% of organizations have approached pay transparency beyond a "moderate" level highlighting individual pay rates, range and how pay is determined

- More than 60% of organizations cite that managers are *not* trained to effectively deliver pay communications

- Internal opportunities are correlated to pay equity: 94% of companies cite a transparent internal job posting system, but only 79% of companies cite that employees have an awareness of advancement opportunities

- 42% of employers do not share information about how jobs are valued and compensated within the company; however, 16% of employers provide ongoing access to all salary ranges for all positions

- Pay equity information is often shared with senior leaders, but not with people leaders who make and influence decisions

- Senior leaders with line-of-sight to company strategy and policies get more intentional communication about pay than others

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Pay Transparency Philosophy and Practices

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Most organizations are seeing an increase in pay transparency's level of importance

Are you seeing a change in the level of importance of pay transparency for your organization?

- Pay transparency is of highest importance and will continue to be: 4%
- Pay transparency is at increasing level of importance: 67%
- Pay transparency is at decreasing level of importance: 2%
- No real change in level of importance of pay transparency: 27%

n = 478

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Only 14% of organizations have approached pay transparency beyond a "moderate" level

Indicate how you would rate your organization's overall state of pay transparency with employees.

4% Nonexistent	35% Minimal transparency	46% Moderate transparency	13% Significant transparency	1% Extreme transparency
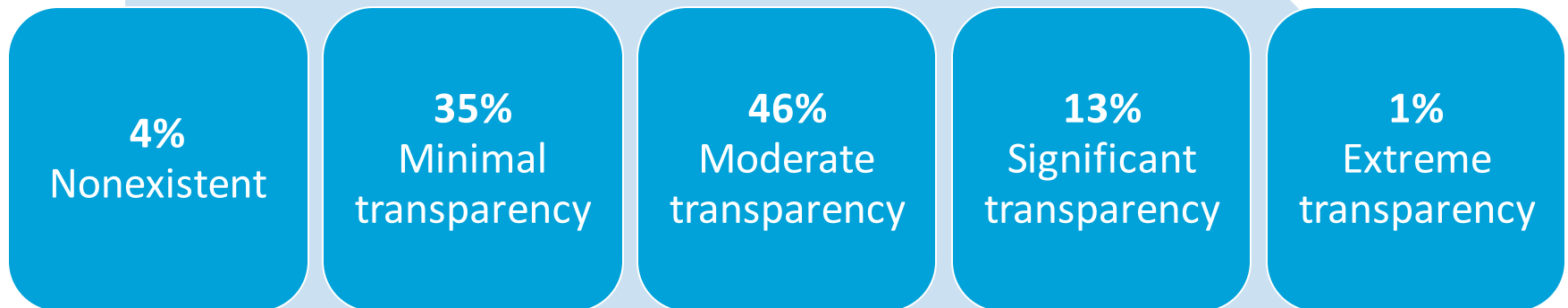
See definitions here.

n = 427

Most organizations are not proactive in communication of pay policies, practices and guidelines, and do not effectively train managers to deliver pay communications

Legend: ■ Strongly Disagree ■ Disagree ■ Agree ■ Strongly Agree

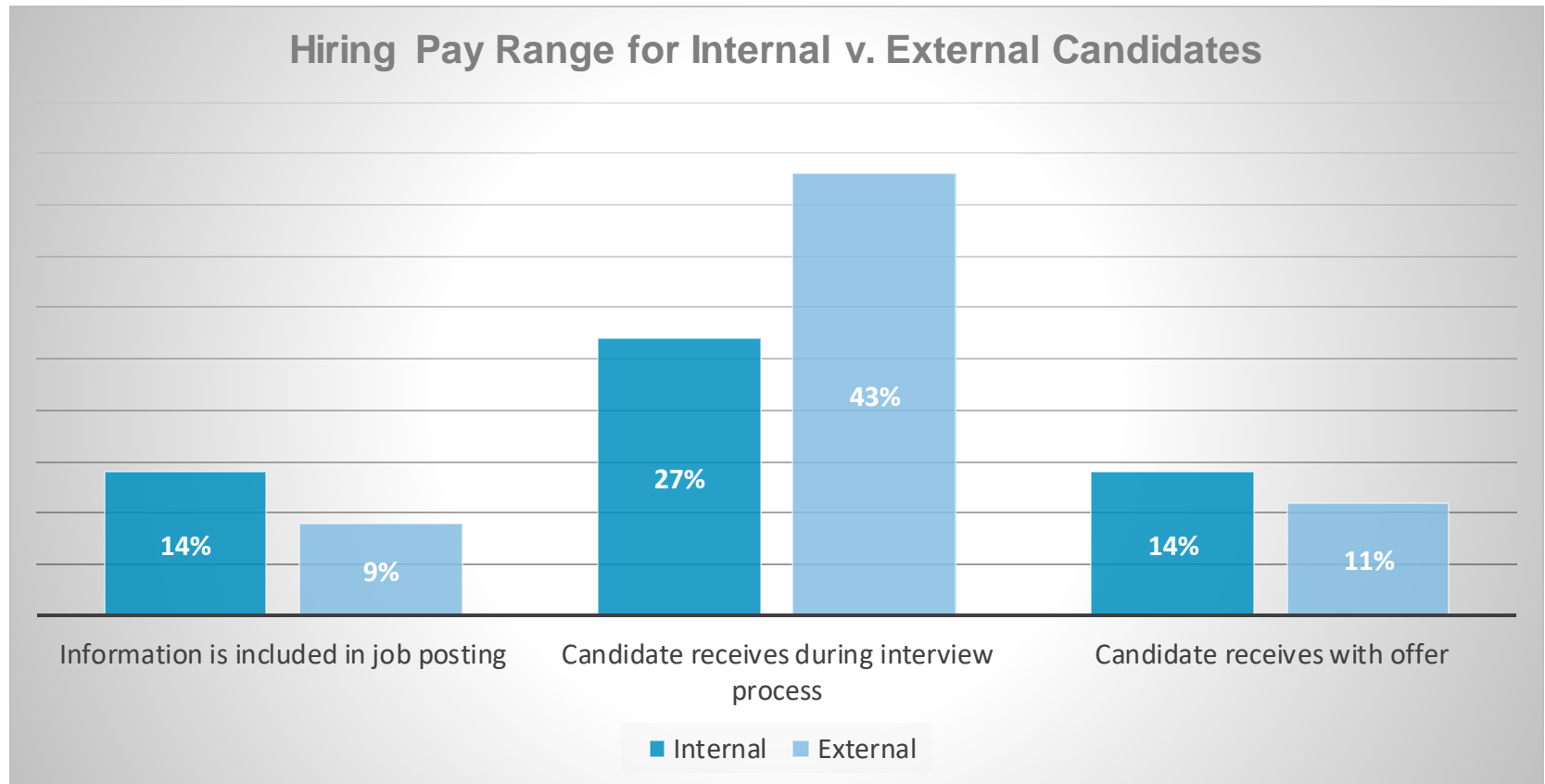| Statement	Strongly Disagree	Disagree	Agree	Strongly Agree
Open positions posted for all employees to see		6%	51%	43%
Full understanding of how performance goals are set and how to achieve goals	3%	12%	59%	27%
Full understanding of the connection between performance and pay	2%	13%	61%	24%
Full understanding of how performance will be assessed (and compared to others, if applicable)	2%	19%	57%	22%
Awareness of all advancement opportunities		21%	60%	19%
Full understanding of compensation and rewards guidelines and policies	4%	26%	54%	17%
Full understanding of how compensation and rewards are determined	3%	23%	59%	15%
Proactive communication of pay policies, practices and guidelines	8%	50%	35%	7%
Managers are trained to effectively deliver pay communications	11%	50%	33%	6%

n = 428

Shared Pay-Related Information – Detailed Breakdown

	Upon start date	Upon request from employee	When an employee is directly affected by the action	When there is a program/policy change	Promoted or shared with employees on a regular basis	Employees have ongoing access	We do not share this information with employees	Not applicable
Written compensation philosophy (n=428)	13%	20%	9%	14%	9%	37%	27%	12%
Job evaluation method(s) (n=426)	5%	22%	16%	10%	5%	18%	42%	6%
Organization's desired competitive position (n=426)	8%	22%	12%	10%	12%	22%	40%	4%
Market data source(s) for own job (n=429)	1%	16%	6%	3%	4%	2%	74%	2%
Compensation philosophy (including salary admin. guidelines) (n=426)	6%	18%	12%	10%	9%	30%	39%	4%
Promotional increase guidelines (n=426)	2%	13%	22%	8%	6%	20%	42%	11%
Overall salary increase or merit budget percentage (n=426)	2%	15%	23%	8%	26%	8%	36%	2%
Employee's own salary range (n=426)	8%	39%	15%	6%	10%	24%	29%	3%
Salary ranges for all positions (n=427)	2%	7%	4%	4%	3%	16%	70%	6%
Employee's own compa-ratio/position-in-range (n=425)	3%	37%	15%	2%	10%	13%	36%	6%
Pay levels for all employees (n=426)	1%	2%	2%	1%	1%	6%	87%	3%
Bonus/short-term incentive targets for all positions (n=426)	3%	8%	12%	8%	7%	15%	55%	13%
Bonus/incentive payouts for all employees (n=425)	2%	2%	10%	2%	5%	4%	71%	10%
Long-term incentive targets for all positions (n=426)	1%	2%	9%	3%	2%	4%	57%	29%
Long-term incentive payouts/grants for all employees (n=426)	1%	1%	6%	1%	2%	1%	63%	28%
Average performance rating of peers (n=425)	3%	1%	1%	2%	1%	1%	81%	14%

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Internal candidates receive more up-front information about job opportunities, while interviewing external candidates experience a more transparent process

Hiring Pay Range for Internal v. External Candidates

- Information is included in job posting: Internal 14%, External 9%
- Candidate receives during interview process: Internal 27%, External 43%
- Candidate receives with offer: Internal 14%, External 11%

■ Internal ■ External

n = 425

Timing of *Internal and External* Candidate's First Receipt of Pay-Related Information – Detailed Breakdown

Internal

	Existing employees have access to this information for all roles	Information is included in internal job posting	Candidate receives during interview process	Candidate receives with offer of promotion	Candidate receives during negotiation (if appl.)	Candidate receives with congratulatory letter	Information is not made available prior to promotion date	Not applicable
Hiring pay range	5%	14%	27%	14%	6%	1%	18%	14%
Salary range	11%	13%	19%	5%	5%	1%	28%	18%
Bonus/short-term incentive target	8%	6%	30%	27%	6%	3%	6%	13%
Long-term incentive target	2%	2%	21%	21%	5%	4%	9%	38%

External

n = 425

	Information is included in external job posting	Candidate receives during interview process	Candidate receives with offer of employment	Candidate receives during negotiation (if appl.)	Candidate receives with welcome letter	Information is not made available prior to start date	Not applicable
Hiring pay range	9%	43%	11%	10%	0%	15%	12%
Salary range	7%	23%	8%	9%	0%	37%	16%
Bonus/short-term incentive target	2%	39%	29%	12%	1%	4%	13%
Long-term incentive target	1%	24%	23%	9%	1%	7%	36%

n = 424

Shared Pay Equity-Related Information by Group – Detailed Breakdown

	All non-manager employees	People leaders	Senior leadership	Board of Directors	Shareholders	Public	Not applicable
Pay equity objectives (n=402)	12%	26%	63%	34%	7%	6%	33%
Pay Equity Analysis							
Analysis approach (n=409)	3%	18%	64%	27%	3%	2%	32%
Results (n=408)	4%	16%	64%	28%	3%	3%	31%
Remediation (n=408)	2%	17%	60%	23%	1%	1%	35%
Gender Pay Gap Analysis (Raw)							
Analysis approach (n=407)	3%	11%	53%	24%	3%	2%	42%
Results (n=402)	4%	12%	54%	24%	3%	3%	41%
Remediation (n=404)	2%	12%	49%	21%	2%	1%	46%

More than half of individual adjustments are explicitly communicated as the result of pay equity

In terms of individual communications to employees affected by a pay equity adjustment, our organization:

Explicitly communicates to the employee that the increase is the result of a pay equity adjustment
53%

Bundles it with other pay increases and does not explicitly communicate to the employee that any part of the pay increase is the result of a pay equity adjustment
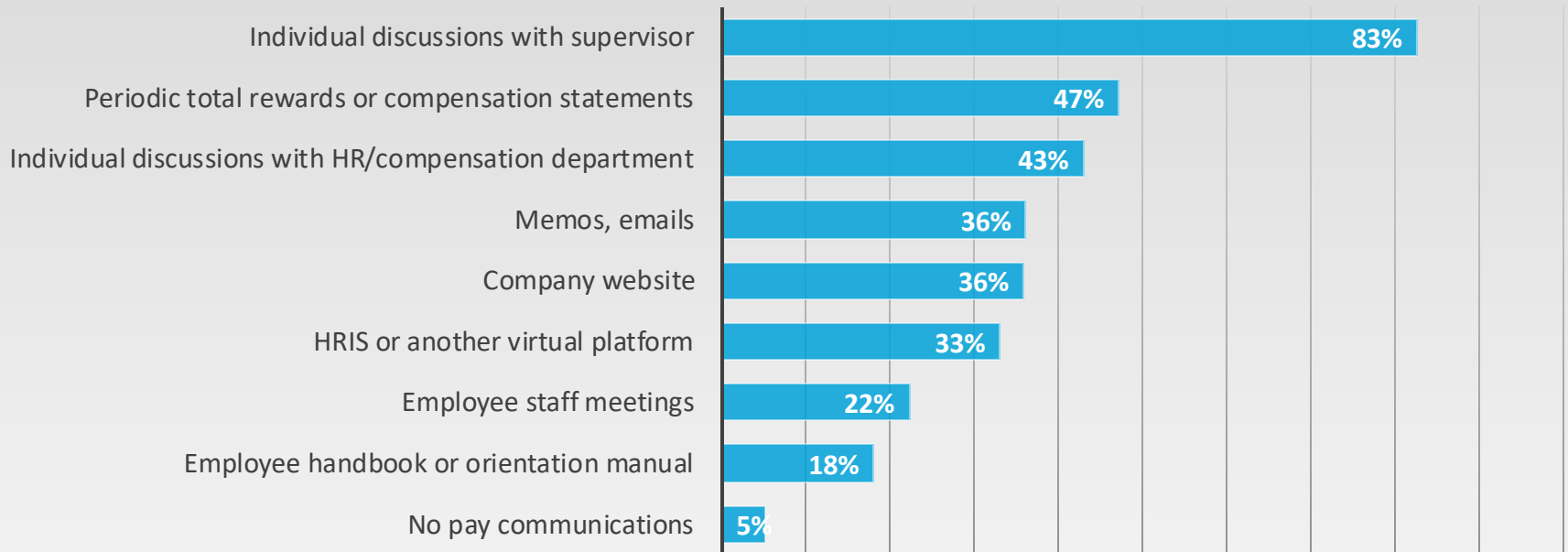**30%**

Other approach to messaging regarding the pay equity adjustment with the affected employee
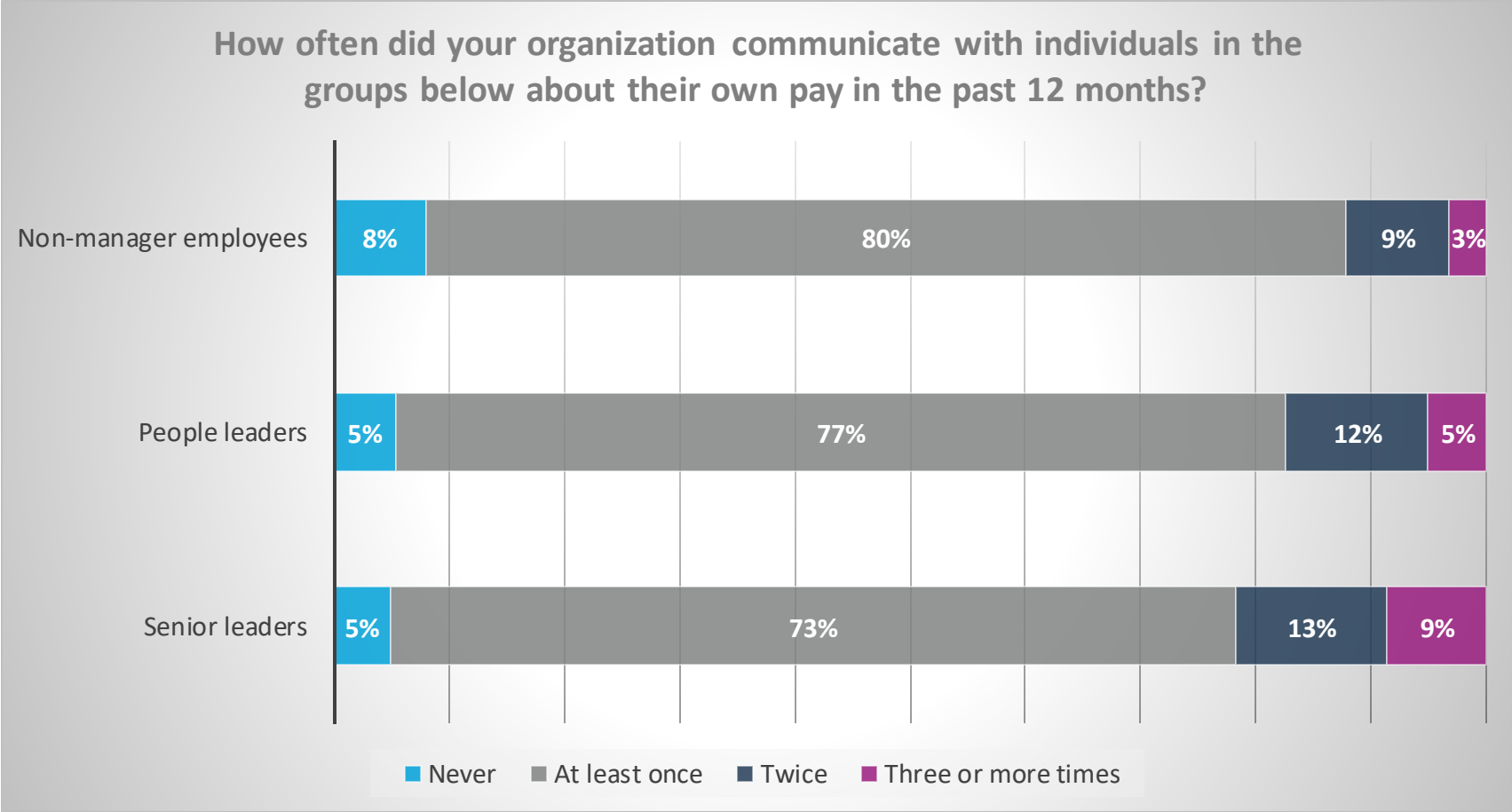**17%**

n = 326

Pay communications are frequently received via individual discussions with supervisors

In the past 12 months, how did employees receive pay communications about their company's pay practices and their own pay? (Select all that apply.)

Communication method	Percentage
Individual discussions with supervisor	83%
Periodic total rewards or compensation statements	47%
Individual discussions with HR/compensation department	43%
Memos, emails	36%
Company website	36%
HRIS or another virtual platform	33%
Employee staff meetings	22%
Employee handbook or orientation manual	18%
No pay communications	5%

n = 426

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Senior leaders receive more intentional communication about pay than other groups

How often did your organization communicate with individuals in the groups below about their own pay in the past 12 months?

Group	Never	At least once	Twice	Three or more times
Non-manager employees	8%	80%	9%	3%
People leaders	5%	77%	12%	5%
Senior leaders	5%	73%	13%	9%

Legend: ■ Never ■ At least once ■ Twice ■ Three or more times

n = 405
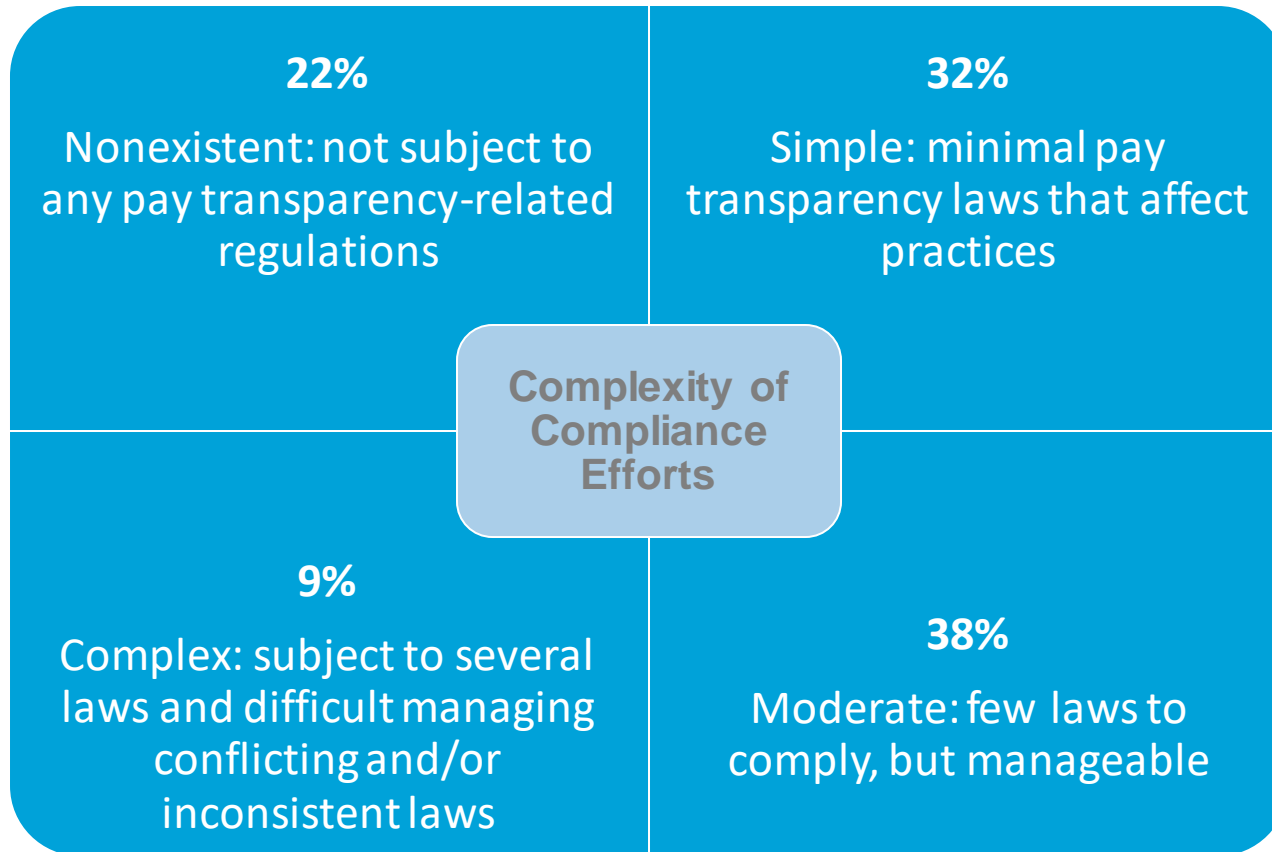
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About a quarter of leaders believe that their company's transparency path is having an extremely positive or positive impact on employee outcomes
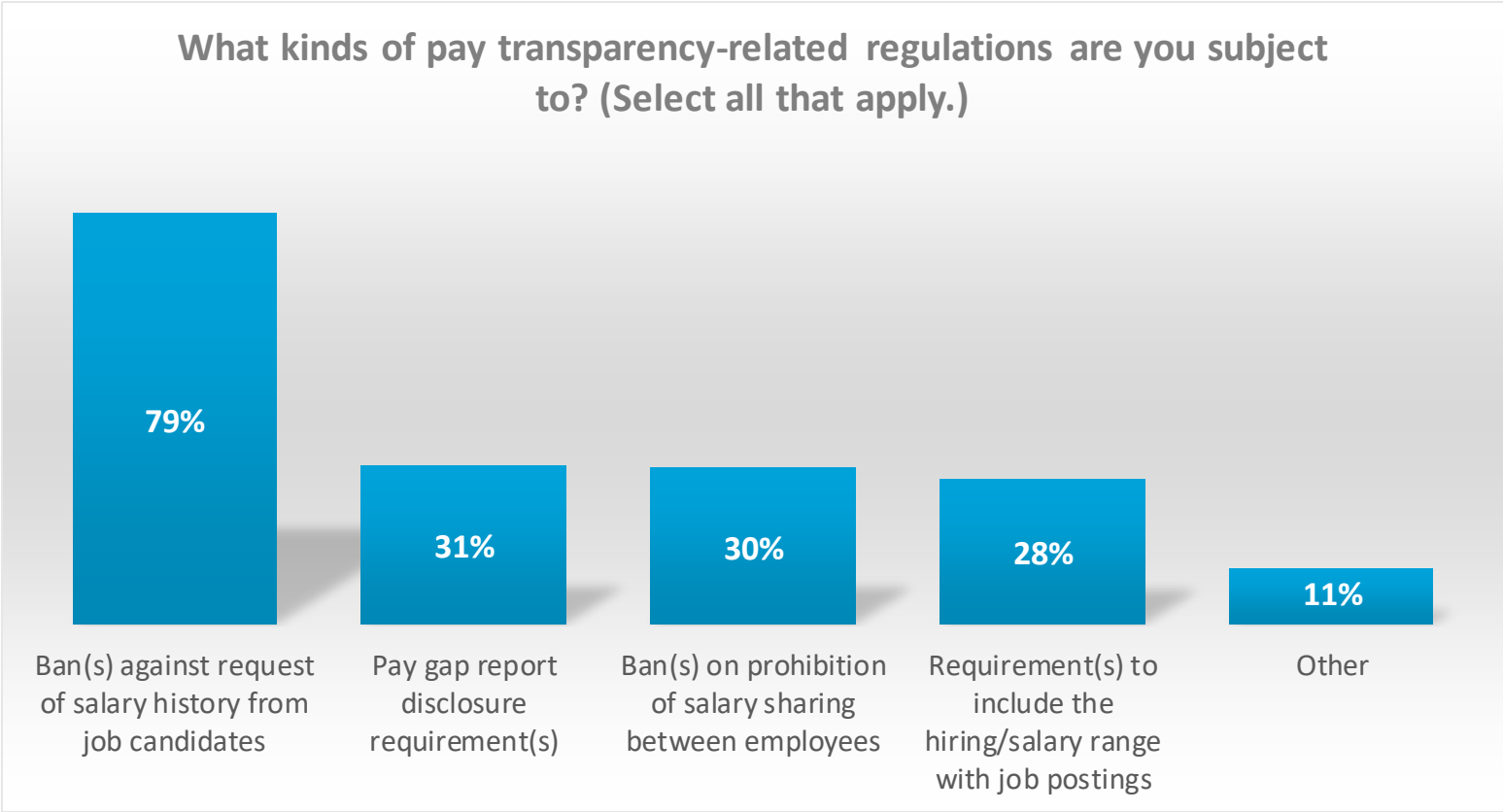

What impact do you believe your organization's degree of pay transparency has on the following outcomes:

Outcome	Extremely negative or negative effect	No effect/neutral	Extremely positive or positive effect
Employee retention	28%	49%	23%
Employee engagement	27%	51%	23%
Employee satisfaction	29%	48%	23%
Employee motivation	25%	53%	22%
Employee attraction	10%	67%	22%

- Extremely negative or negative effect
- No effect/neutral
- Extremely positive or positive effect

n = 422

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Compliance Profile

Compliance efforts for many organizations lie between simple and moderate complexity

22% Nonexistent: not subject to any pay transparency-related regulations	**32%** Simple: minimal pay transparency laws that affect practices
Complexity of Compliance Efforts	
9% Complex: subject to several laws and difficult managing conflicting and/or inconsistent laws	**38%** Moderate: few laws to comply, but manageable

n = 425

Salary history bans are the most prevalent regulatory requirement

What kinds of pay transparency-related regulations are you subject to? (Select all that apply.)

- 79% — Ban(s) against request of salary history from job candidates
- 31% — Pay gap report disclosure requirement(s)
- 30% — Ban(s) on prohibition of salary sharing between employees
- 28% — Requirement(s) to include the hiring/salary range with job postings
- 11% — Other

n = 300

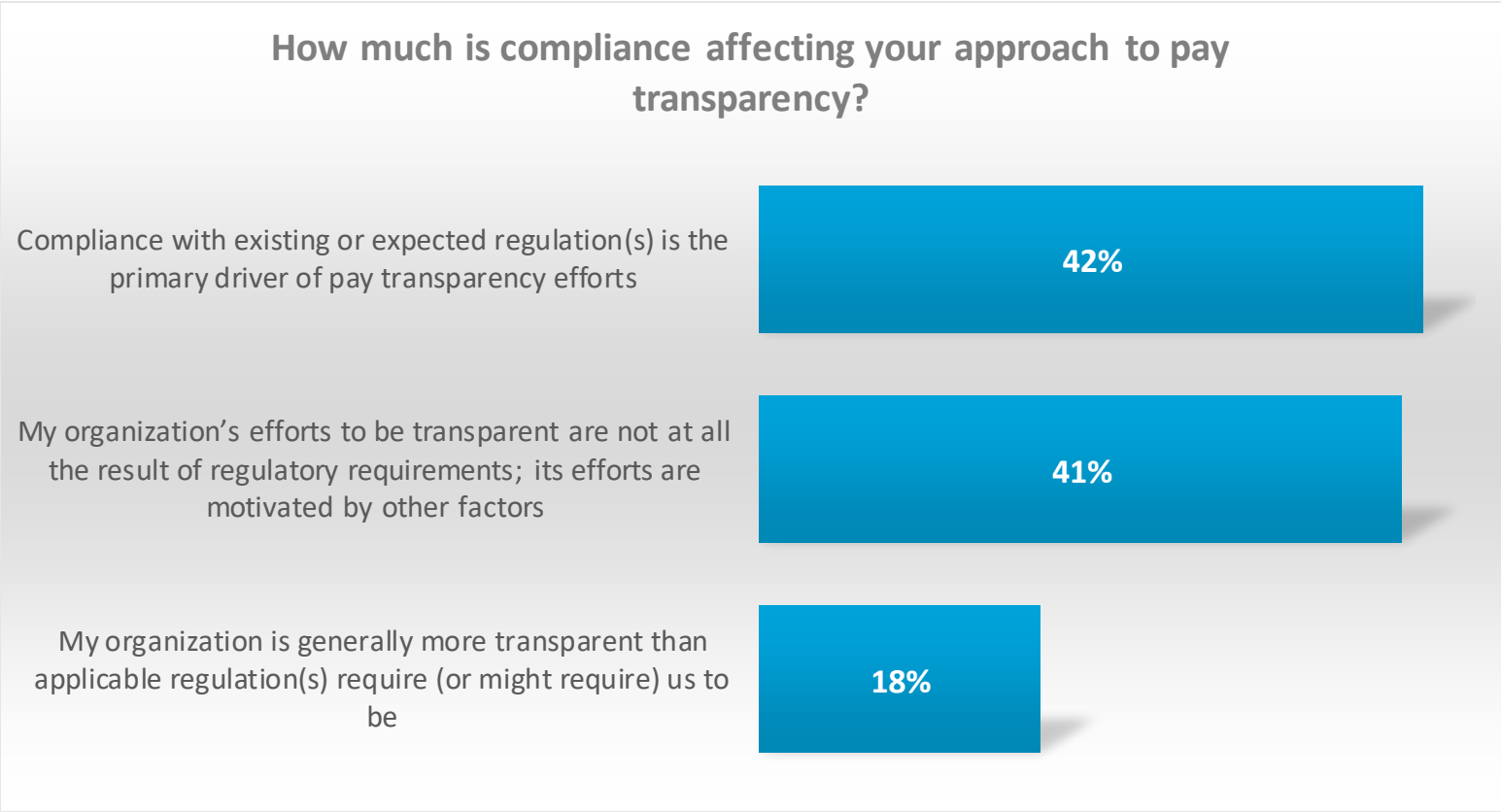**WorldatWork®** Total Rewards Association

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Organizations are most often subjected to regional and federal pay transparency-related regulations

What is the breadth of coverage for the pay transparency-related regulations your organization is subject to? (Select all that apply.)

76% Regional/state/provincial

73% Federal/national/country-wide

34% Local/city/county/parish-specific

13% Industry-specific
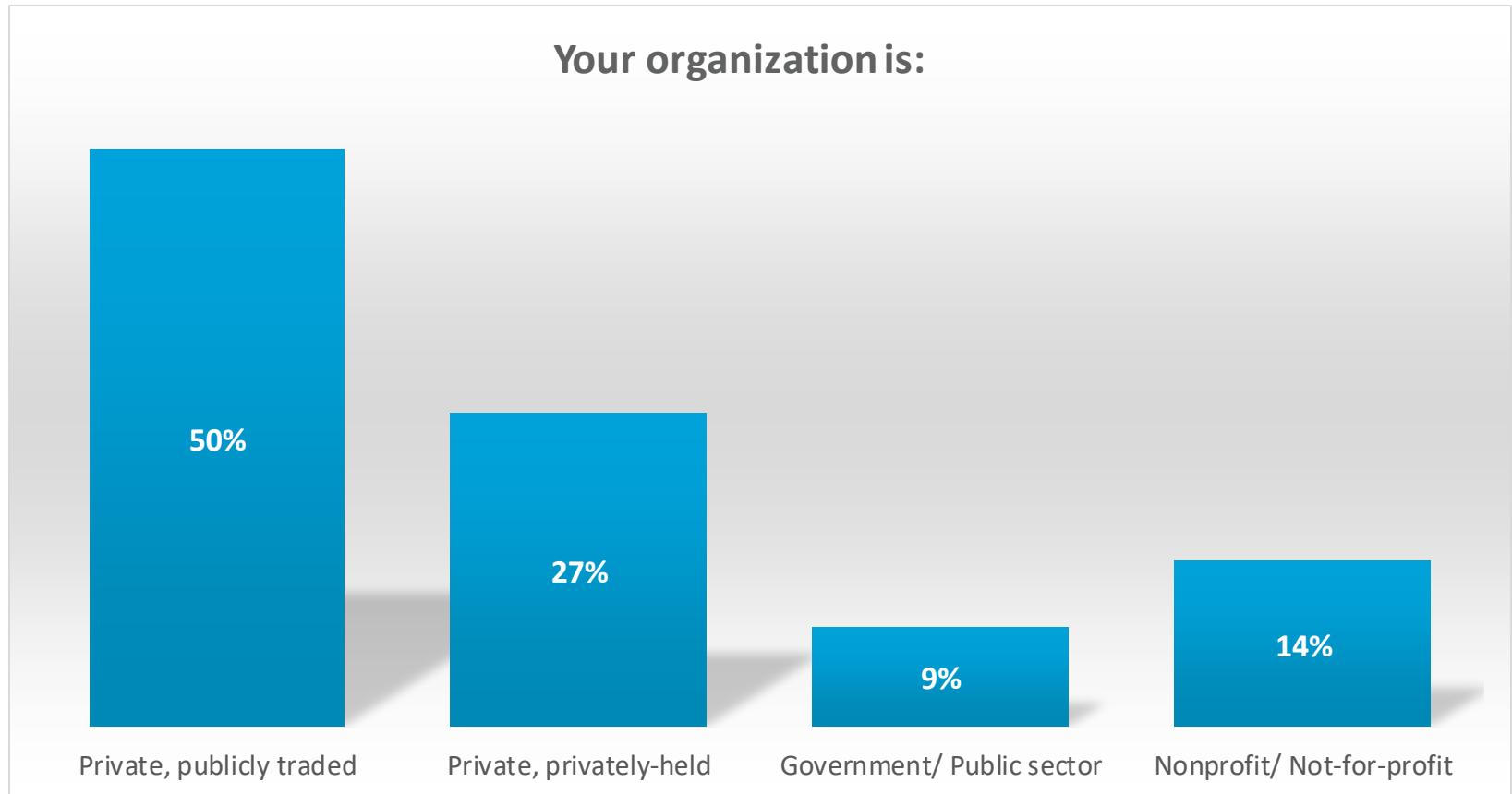
7% Sector-specific

5% Other
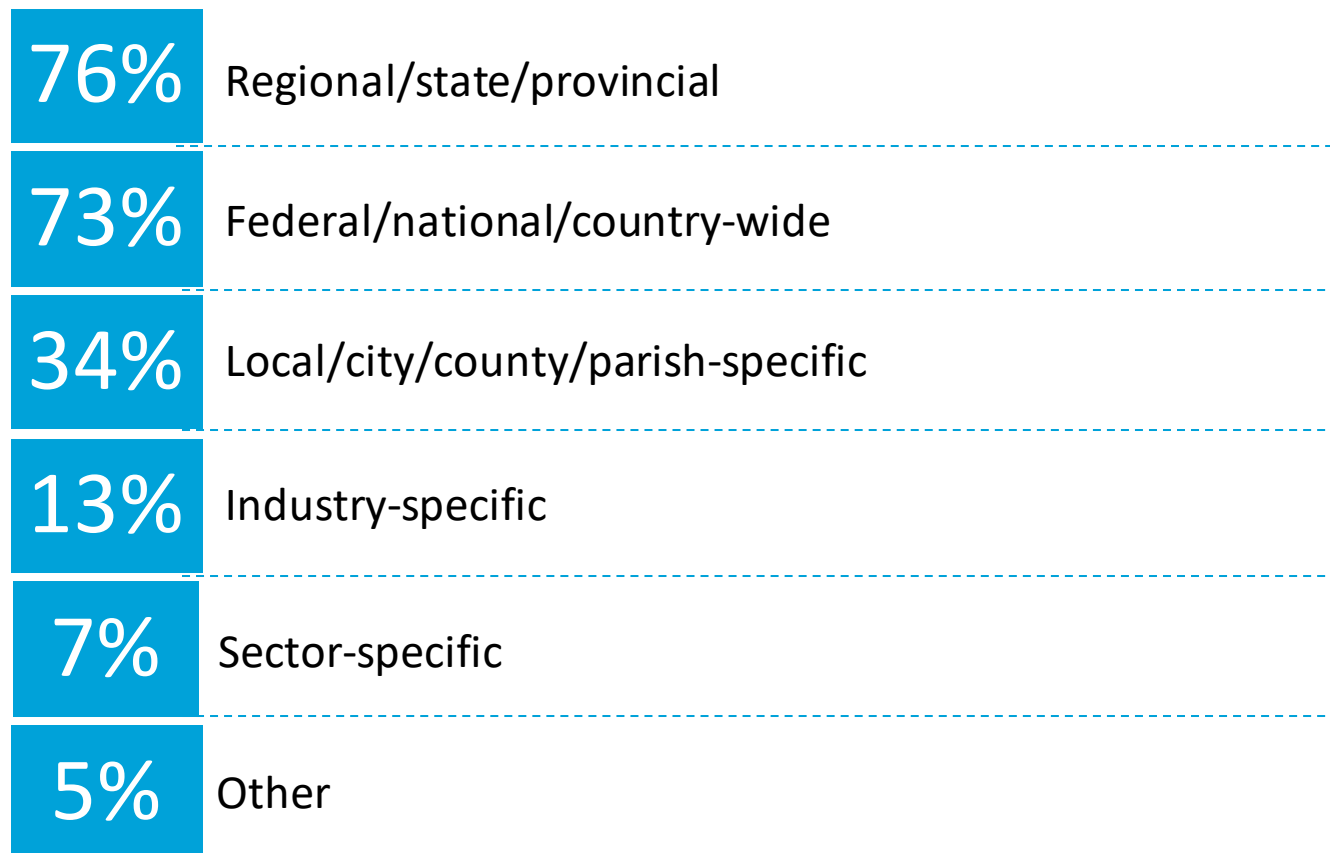
n = 310

In nearly half of organizations, compliance is the primary driver of pay transparency efforts, while 41% of organization's efforts are not at all the result of regulatory requirements
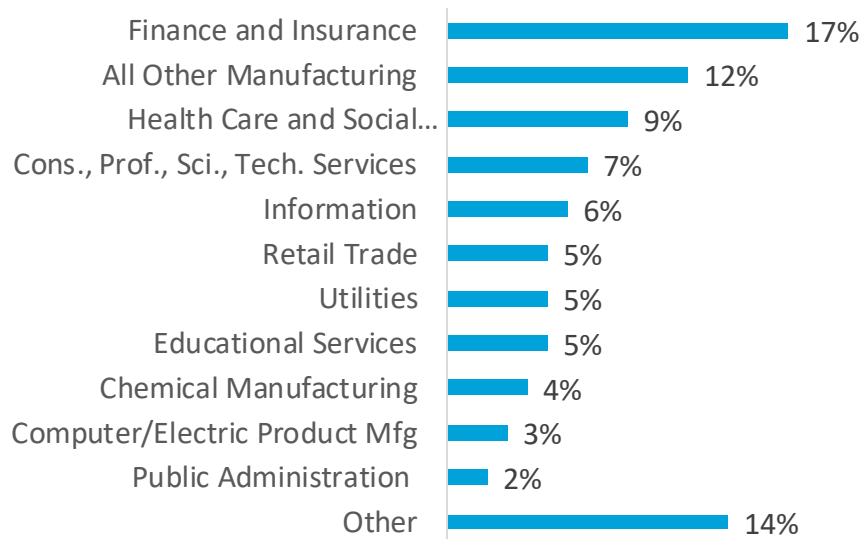
How much is compliance affecting your approach to pay transparency?

Compliance with existing or expected regulation(s) is the primary driver of pay transparency efforts	**42%**
My organization's efforts to be transparent are not at all the result of regulatory requirements; its efforts are motivated by other factors	**41%**
My organization is generally more transparent than applicable regulation(s) require (or might require) us to be	**18%**

n = 316

Respondent Profile

Company Sector

Your organization is:

Private, publicly traded	Private, privately-held	Government/ Public sector	Nonprofit/ Not-for-profit
50%	27%	9%	14%

n = 425

Company Industry and Size

Under which industry does your organization fall?

Industry	Percentage
Finance and Insurance	17%
All Other Manufacturing	12%
Health Care and Social...	9%
Cons., Prof., Sci., Tech. Services	7%
Information	6%
Retail Trade	5%
Utilities	5%
Educational Services	5%
Chemical Manufacturing	4%
Computer/Electric Product Mfg	3%
Public Administration	2%
Other	14%

n = 425

How many full-time equivalent (FTE) employees does your organization have?

Employees	Percentage
20,000 or more employees	22%
10,000 to 19,999	15%
5,000 to 9,999	18%
2,500 to 4,999	15%
1,000 to 2,499	18%
500 to 999	8%
100 to 499	4%
Fewer than 100 employees	1%

n = 425

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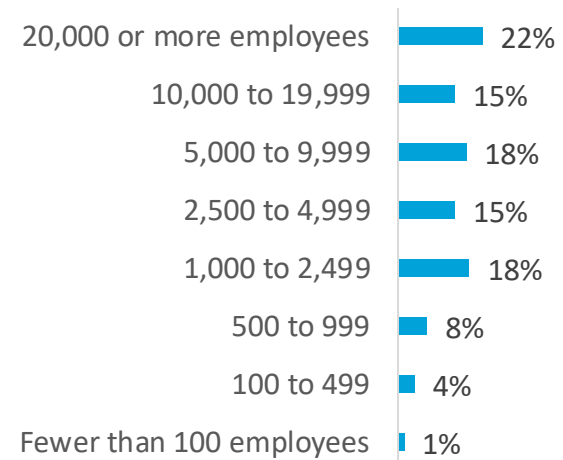
Definitions

Nonexistent	Minimal transparency	Moderate transparency	Significant transparency	Extreme transparency
We don't share pay-related philosophies, policies or practices with employees.	Employees have limited access to or understanding of pay-related philosophies, policies and practices.	Employee access to pay-related information is generally limited to their own salary range, pay determination factors, rewards opportunities, etc.	Pay transparency is viewed as an essential element to organizational success and critical to achieving a culture of fairness. Employees have access to broad pay-related information such as salary structure for all/most positions, merit budgets, job evaluation methods, etc., and have significant understanding of how pay and rewards are determined for themselves and the broader organization.	Fairness and transparency are embedded in our value system. Employees fully understand pay philosophies, policies and practices, and have access to individual pay and reward levels for all/most of the workforce.

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Definitions (cont.)

- **Pay transparency:** The degree to which employers are open about what, why, how, and how much employees are compensated, and allow employees to share pay-related information with others. This concept can extend beyond base pay to include variable pay and other rewards components as well as other facets and/or means to rewards (e.g., promotion, recognition, development, performance assessment).

- **Pay transparency-related regulations/compliance:** Regulation or governmental mandates that relate to how or what pay information is available to employees, job candidates and/or the public, as well as anything pertaining to the sharing of information by employees. Examples include bans against requesting salary history from candidates, gender pay gap reporting requirements, employee sharing protections and requirements to include compensation and benefit ranges within job postings.

Definitions (cont.)

- **Pay equity analysis:** Statistical analysis to identify differences in pay for comparable work after controlling for legitimate factors. May include review by role, group and/or job category, and generally focused on protected-class demographics such as gender, race/ethnicity and age.

- **Gender pay gap (raw):** Calculation that simply compares median pay by gender, regardless of job type or worker experience.

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